

A better way to travel,
today and tomorrow

Dulles Corridor Management Strategy

Conceptual Proposal

A better way to travel,
today and tomorrow

A partnership proposal for



Dulles Corridor Management Strategy

Conceptual Proposal

Submitted by



Goldman
Sachs

In association with:

- Fluor
- VMS
- Reed Smith
- Jacobs
- Parsons

Authorized Person: Michael Kulper

Telephone: 212.529.1270

Facsimile: 212.505.9450

405 Lexington Avenue, 43rd Floor
New York, NY 10017

October 28, 2005



Transurban USA Development, Inc.
405 Lexington Avenue, 43rd Floor
New York, NY 10017

212.529.1270 tel
212.505.9450 fax

October 28, 2005

Mr. Malcolm T. Kerley, P.E.
Chief Engineer for Program Development
Virginia Department of Transportation
1401 East Broad Street
Richmond, Virginia 23219

Dear Mr. Kerley:

Transurban USA Development, Inc. (Transurban) and Goldman Sachs & Co. (Goldman Sachs) are pleased to present our Conceptual Proposal for the development of a Concession to finance, operate, improve, and maintain the Dulles Toll Road. This proposal has been prepared in accordance with the Public-Private Transportation Act of 1995 and in response to an unsolicited proposal received by VDOT dated July 15, 2005.

Dulles SmartLink believes in the value of transparency in the PPTA process and in full and open disclosure. Therefore we have chosen *not* to use our right to request that any part of the Dulles SmartLink proposal be treated as confidential and proprietary under the Code of Virginia Section 2.2-3075.6 or exempt from all Freedom of Information Act requests. We also wish to highlight that the Dulles SmartLink Conceptual Proposal will not require the use of public funding over the life of the Concession.

The Dulles SmartLink Team appreciates the opportunity to present a plan that will improve access to the Dulles Corridor and benefit both DTR users and the Commonwealth. We look forward to working with VDOT, the local community leaders, and citizens of the areas affected by this project. We believe that this proposal will serve as a significant means of increasing the transportation choices for the entire Northern Virginia region.

As part of this submittal, we have enclosed a cashier's check in the amount of \$10,000 along with 20 copies of the written proposal and one on CD in PDF format suitable for publication on VDOT's Web site. Copies of this proposal are being distributed to all local jurisdictions in the Dulles Corridor affected by this proposal.

Sincerely,

Michael Kulper
Executive Sponsor, Transurban

Mark Florian
Executive Sponsor, Goldman Sachs

Mr. Malcolm T. Kerley, P.E.
Virginia Department of Transportation
October 28, 2005
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cc: Mr. Gerald E. Connolly, Chairman, Fairfax County Board of Supervisors
Mr. Anthony H. Griffin, Fairfax County Executive
Mr. Scott K. York, Chairman-At-Large, Loudoun County Board of Supervisors
Mr. Kirby M. Bowers, Loudoun County Administrator
Mr. Michael O'Reilly, Mayor, Town of Herndon
Mr. Steve Owen, Town of Herndon Manager's Office
Ms. Mame Reilly, Chairman, Metropolitan Washington Airports Authority
Mr. James E. Bennett, President and Chief Executive Officer, Metropolitan Washington Airports Authority
Mr. Dana Kauffman, Chairman, Washington Metropolitan Area Transit Authority
Mr. Richard White, Chief Executive Officer, Washington Metropolitan Area Transit Authority
Ms. Judith Davis, Chairman, Metropolitan Washington Council of Governments
Mr. Ronald Kirby, Director, Department of Transportation Planning
Mr. David F. Snyder, Chairman, Northern Virginia Transportation Authority
Mr. G. Mark Gibb, Executive Director, Northern Virginia Regional Commission
Ms. Karen J. Rae, Director, Virginia Department of Rail & Public Transportation

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A better way to travel,
today and tomorrow

Executive Summary

The Dulles Corridor is growing rapidly, placing transportation systems under pressure and causing congestion in many parts of the region. Within the next decade, trips generated by the Washington Dulles International Airport are expected to increase by 50 percent, and the population of Loudoun County is forecast to grow by more than 50 percent. This magnitude of growth in land use activity requires a regional approach to transportation management and planning.

Dulles SmartLink proposes a multi-modal solution that will support continued regional economic, environmental, and social development. This solution comprises a series of strategic enhancements to the Dulles Toll Road (DTR) and the supporting road network and includes the opportunity to advance the delivery of the Dulles Corridor Metrorail Project. The solution targets the widely-held view within the community that transportation enhancements are critical to a safe and prosperous future for communities in the region. As part of Dulles SmartLink's management approach, we are proposing to assume responsibility for the operations and maintenance costs for the DTR. Unlike most prior PPTA proposals, the Dulles SmartLink proposal requires no public financial support and results in substantial private sector equity investment that will be used to improve critically needed transportation infrastructure.

Dulles SmartLink – a solution that supports continued economic, environmental, and social development.

085.AI

Dulles SmartLink shares the community's view on transportation needs and is offering the Commonwealth of Virginia a unique opportunity to help secure a prosperous future. Our offer will greatly enhance the Dulles Corridor and allow the long-planned Dulles Corridor Metrorail Project to go ahead, with Dulles SmartLink providing a source of funding for the new transit system.

Dulles SmartLink brings together partners with a wealth of experience in financing, developing, and managing major transportation projects. Our proposal is based on a Concession model, designed to deliver improved transportation options and services, not just in the short term, but over the life of the Concession. The proposal involves the lease of the DTR to Dulles SmartLink, who will assume the full responsibility for the management and enhancement of the toll road.

Improved transportation options not just in the short term, but over the life of the Concession.

086.AI

We recognize the need to work closely with the Commonwealth, the Virginia Department of Transportation (VDOT), and other road operators to ensure the people of Virginia enjoy the benefits of a seamless transportation network that responds to their changing needs over time.

We also understand that the DTR has a number of stakeholders, including the Metropolitan Washington Airports Authority (WMAA) and the counties of Fairfax and Loudoun. We will work cooperatively with all stakeholders to develop our detailed proposal based on the concepts presented within this submission.

We are proposing a better way to travel – today and tomorrow.

The Dulles SmartLink Vision

Our vision is to deliver safe, essential transportation services that support the continued economic, environmental, and social development of the Dulles Corridor. Our approach is based on a series of initiatives that will see the DTR developed as part of a seamless, integrated transportation system to the benefit of Dulles Corridor commuters and communities. The outcomes are to:

Our vision is to deliver
safe, essential
transportation services.

087/Al

- Deliver significantly enhanced transportation services in the Dulles Corridor to relieve congestion, improve safety, and deliver economic and social benefits
- Facilitate business and residential growth and prosperity in the region
- Service the growing needs of the Washington Dulles International Airport
- Provide feasible and attractive transit alternatives in the Dulles Corridor
- Facilitate land use initiatives that encourage Transit Oriented Development along the Dulles Corridor
- Provide a friendly, service-focused approach to management of the DTR to sustain public support
- Provide the Commonwealth with a source of funding for its share of the Dulles Corridor Metrorail Project
- Extend the Northern Virginia HOT Lanes network to the Washington Dulles International Airport

The Dulles SmartLink Solution for the Dulles Toll Road

The public debate on using concessions to capture value for public projects is ongoing, and VDOT will require dialogue and information before the resolution of an optimal approach. We are providing flexibility to VDOT by presenting two alternative approaches to improving transportation in the Dulles Corridor as part of this procurement process. Under the existing tolling structure approach, tolls will be determined by the existing plan, which holds them constant until the currently programmed 25-cent increase in 2010 and has them remain fixed thereafter. This approach would result in approximately \$1.5 billion in value accruing to the Commonwealth.

We have also developed an alternate approach, which is based on the premise that VDOT may wish to accelerate the present value of future revenue potential to provide a greater source of funding for transit or other projects. By implementing a toll structure that more closely relates to the value created for drivers, the up-front value can be increased substantially to approximately \$3 billion.

Under either approach, Dulles SmartLink has identified a base set of operational enhancements that will include:

- Multiple enhancements to the DTR and the adjacent road network, designed to improve safety, reduce congestion and provide an improved driving experience
- High-quality, service-focused management of the DTR over the life of the Concession
- High performance standards for operations and maintenance, which will be fully funded by Dulles SmartLink
- Significantly upgraded driver information systems to improve safety and efficiency of the network overall and provide systems that integrate with several other facilities in Northern Virginia
- Improved connection with the Capital Beltway, particularly the proposed HOT lanes
- Progressive transition to open road tolling systems to improve traffic flow and reduce congestion
- Improved access to Dulles Airport Access Highway from the Capital Beltway
- Enhanced connectivity between the DTR and key land use centers, such as Tysons Corner and Reston
- Sizeable Concession payment to the Commonwealth that can be used to fund the Dulles Corridor Metrorail Project and for other priorities as identified by VDOT and the Commonwealth Transportation Board, in conjunction with MWAA.

Dulles SmartLink has also identified a range of additional enhancements, which are discussed in Tab 2. Dulles SmartLink proposes that the Commonwealth will have the option to shape the key commercial elements of this approach and consequently the scale and timing of the enhancement options during the completion of the Comprehensive Agreement. The Commonwealth will be free to determine the final makeup of the package and its timing in order to maximize the value of the plan to the Commonwealth.

Dulles SmartLink is committed to active management of the DTR.

088.A1

It should be noted that it would be possible to generate value materially in excess of \$3 billion by placing few or no limitations on toll rate increases (as has occurred on other projects such as SR 125 in San Diego and ETR 407 in Toronto) or by adopting an aggressive schedule of toll rate increases (for example, Chicago Skyway). We do not believe that it is necessary to adopt these measures to generate proceeds sufficient to fund the Dulles Corridor Metrorail Project and the project enhancements necessary to enhance mobility within the Dulles Corridor. Furthermore, we view broad public support as important to the success of the proposal, and an aggressive approach to toll rate increases may lessen this outcome.

The Dulles SmartLink Approach

We will go beyond the delivery of on-road enhancements and efficient collection of tolls. Dulles SmartLink's partners are committed to active management of the DTR to ensure it continues to meet the needs of local communities and road users over the life of the Concession.

Dulles Smart Link is backed by long-term committed investors with strong credit ratings, so the Commonwealth and VDOT know they will be dealing with a financially sound team over the life of the Concession. Our team members have a comprehensive understanding of the transportation network in Northern Virginia.

A Northern Virginia Transportation Alliance (NVTA) survey in July 2005 found two-thirds of residents in the Dulles Corridor were frustrated with the trips they take most often. Almost 90 percent of commuters cite traffic problems as the reason for their frustration.

In designing the services it offers, Dulles SmartLink will start with the customer – the people who will pay to use the road, the people who want a seamless road network, travel time savings, and safer travel. We will work with VDOT to deliver an enhanced customer experience, covering key interfaces including incident management, advanced driver information systems, and toll collection.

Above all, we are committed to continuous improvement in the services we provide, as part of an overall road network that has to work seamlessly for all road users.

The Dulles SmartLink Team

Dulles SmartLink is an experienced, integrated team focused on delivering an innovative solution to address the transportation needs of the Dulles Corridor.

Transurban

Transurban has a successful track record as a developer, owner, and manager of complex toll road infrastructure. It is a \$5 billion enterprise and holds an “A-” credit rating on its senior debt from Standard & Poor’s.

Goldman Sachs

Goldman Sachs is one of the world’s leading investment banks and private equity investors. The company is an early innovator in the field of Concession financing and is an established financial adviser to toll roads around the world.

Fluor

Fluor is one of the world’s largest, publicly-owned engineering, construction, program management, and maintenance service companies with approximately \$10 billion in revenue in 2004.

Jacobs

Jacobs is one of the world’s largest architectural, engineering, and construction firms with annual revenues exceeding \$5 billion. Jacobs brings comprehensive design services to the team and has been the Engineer-of-Record for VDOT’s and Fairfax County’s DTR improvements for more than a decade.

An experienced,
integrated team focused
on delivering innovative
solutions.

089.A1

VMS

VMS is the leader in developing and implementing infrastructure asset management programs for roadways, transportation, and other facilities in the United States. VMS is currently providing asset management services to VDOT on 25 percent of the Commonwealth's interstates and to the District of Columbia and the Federal Highway Administration for 75 miles of the National Highway System.

Reed Smith

Reed Smith maintains one of the most extensive administration law and legislative practices, providing legislative and regulatory representation to businesses working with agencies at all levels of local, state, and federal government.

Parsons

Parsons provides complete turnkey transportation consulting services, from feasibility studies and environmental documentation to final design and construction, and has served as VDOT's on-call consultant for environmental/NEPA document services for almost a decade.

Beneficiaries

Dulles SmartLink's plans for enhancing the DTR will have a positive impact on the following project beneficiaries:

- Overall transportation network – reduced congestion and improved traffic flow for a number of key traffic routes
- Commonwealth of Virginia – it is expected that the Concession fee will be made available for funding the Dulles Corridor Metrorail Project and other improvements in the Dulles Corridor
- DTR customers – improved service through reduced congestion, enhanced driver information, and timely incident response
- Dulles Corridor residents – reduced travel times and congestion, improved air quality, and increased property values
- Business and industry in the Dulles Corridor – improved and expanded range of options for commuters and business-related travelers
- Washington Dulles International Airport users – reduced travel times and improved connections to and from the airport
- Virginia taxpayers – scarce Commonwealth funds will be able to be released for other priority projects

Foster public support through a comprehensive ongoing stakeholder relations program.

090.A1

Ensuring Public Support

Dulles SmartLink will earn public support for our proposed DTR enhancements by developing and managing a comprehensive, ongoing stakeholder relations program.

Foster public support through a comprehensive ongoing stakeholder relations program

Our team will work closely with all levels of government, Dulles Corridor stakeholders, and other parties to ensure the project delivers on broad public policy objectives and meets the needs of the community.

Through the community engagement program, Dulles SmartLink will:

- Develop a public information plan, including a communications matrix that identifies stakeholders and their communication needs
- Identify and prepare for handling anticipated concerns, such as environmental and community impacts, long-term mobility, and safety
- Create mechanisms for communicating with the public over the life of the Concession and create ways for the public to express their views to the Dulles SmartLink Team
- Develop and use a range of communication strategies for each stakeholder group
- Use a professional, in-house communications team to coordinate day-to-day activities
- Use an experienced public relations firm to support our team in stakeholder relations

Dulles SmartLink has the vision, capacity, and commitment to provide a structured and fully funded enhancement plan for the Dulles Corridor. We understand the need to establish and foster a long-term approach, which will deliver value for money, and environmentally responsible and sustainable transportation services.

Dulles SmartLink has the vision, capacity, and commitment to fulfill the Dulles Corridor Community's transportation needs.

Dulles SmartLink has an advanced level of knowledge of the transportation challenges in Northern Virginia and proposes to be the partner of choice to VDOT in developing and managing this system for the future – to create a better way to travel today and tomorrow.